

## Attachment 1 - Specific Comments Table ED 01/22

This attachment contains additional information that was provided by respondents to support the comments they raised in their submissions to ED 01/22. The two items in this attachment are both referred to in specific comment item 10 and include:

- A screenshot of proposed paragraph 410.14 A7; and
- an extract of paragraphs from ASQM 2 *Engagement Quality Reviews*.

### Extract from ED 03/21

410.14 A7 Examples of actions that might be safeguards to address such self-interest threats include:

- Having an appropriate reviewer who was not involved in the **Audit** review the audit work.
- Ensuring that the compensation of the partner is not significantly influenced by fees generated from the client.
- Reducing the extent of services other than audit provided by the partner to the **Audit Client**.
- Increasing the client base of the partner or the **Office** to reduce dependence on the **Audit Client**.

*Impairment of the Engagement Quality Reviewer's Eligibility to Perform the Engagement Quality Review*

22. The firm shall establish policies or procedures that address circumstances in which the engagement quality reviewer's eligibility to perform the engagement quality review is impaired and the appropriate actions to be taken by the firm, including the process for identifying and appointing a replacement in such circumstances. (Ref: Para. A23)
23. When the engagement quality reviewer becomes aware of circumstances that impair the engagement quality reviewer's eligibility, the engagement quality reviewer shall notify the appropriate individual(s) in the firm, and: (Ref: Para. A24)
  - (a) If the engagement quality review has not commenced, decline the appointment to perform the engagement quality review; or
  - (b) If the engagement quality review has commenced, discontinue the performance of the engagement quality review.

**Performance of the Engagement Quality Review**

24. The firm shall establish policies or procedures regarding the performance of the engagement quality review that address:
  - (a) The engagement quality reviewer's responsibilities to perform procedures in accordance with paragraphs 25–26 at appropriate points in time during the engagement to provide an appropriate basis for an objective evaluation of the significant judgements made by the engagement team and the conclusions reached thereon;
  - (b) The responsibilities of the engagement partner in relation to the engagement quality review, including that the engagement partner is precluded from dating the engagement report until notification has been received from the engagement quality reviewer in accordance with paragraph 27 that the engagement quality review is complete; and (Ref: Para. A25–A26)
  - (c) Circumstances when the nature and extent of engagement team discussions with the engagement quality reviewer about a significant judgement give rise to a threat to the objectivity of the engagement quality reviewer, and appropriate actions to take in these circumstances. (Ref: Para. A27)
25. In performing the engagement quality review, the engagement quality reviewer shall: (Ref: Para. A28–A33)
  - (a) Read, and obtain an understanding of, information communicated by: (Ref: Para. A34)
    - (i) The engagement team regarding the nature and circumstances of the engagement and the entity; and
    - (ii) The firm related to the firm's monitoring and remediation process, in particular identified deficiencies that may relate to, or affect, the areas involving significant judgements made by the engagement team.
  - (b) Discuss with the engagement partner and, if applicable, other members of the engagement team, significant matters and significant judgements made in planning, performing and reporting on the engagement. (Ref: Para. A35–A38)
  - (c) Based on the information obtained in (a) and (b), review selected engagement documentation relating to the significant judgements made by the engagement team and evaluate: (Ref: Para. A39–A43)

- (i) The basis for making those significant judgements, including, when applicable to the type of engagement, the exercise of professional scepticism by the engagement team;
  - (ii) Whether the engagement documentation supports the conclusions reached; and
  - (iii) Whether the conclusions reached are appropriate.
- (d) For audits of a financial report, evaluate the basis for the engagement partner's determination that relevant ethical requirements relating to independence have been fulfilled. (Ref: Para. A44)
- (e) Evaluate whether appropriate consultation has taken place on difficult or contentious matters or matters involving differences of opinion and the conclusions arising from those consultations. (Ref: Para. A45)
- (f) For audits of financial reports, evaluate the basis for the engagement partner's determination that the engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgements made and the conclusions reached are appropriate given the nature and circumstances of the engagement. (Ref: Para. A46)
- (g) Review:
- (i) For audits of financial reports, the financial reports and the auditor's report thereon, including, if applicable, the description of the key audit matters; (Ref: Para. A47)
  - (ii) For review engagements, the financial report or financial information and the engagement report thereon; or (Ref: Para. A47)
  - (iii) For other assurance and related services engagements, the engagement report, and when applicable, the subject matter information. (Ref: Para. A48)
26. The engagement quality reviewer shall notify the engagement partner if the engagement quality reviewer has concerns that the significant judgements made by the engagement team, or the conclusions reached thereon, are not appropriate. If such concerns are not resolved to the engagement quality reviewer's satisfaction, the engagement quality reviewer shall notify an appropriate individual(s) in the firm that the engagement quality review cannot be completed. (Ref: Para. A49)

*Completion of the Engagement Quality Review*

27. The engagement quality reviewer shall determine whether the requirements in this ASQM with respect to the performance of the engagement quality review have been fulfilled, and whether the engagement quality review is complete. If so, the engagement quality reviewer shall notify the engagement partner that the engagement quality review is complete.

**Documentation**

28. The firm shall establish policies or procedures that require the engagement quality reviewer to take responsibility for documentation of the engagement quality review. (Ref: Para. A50)
29. The firm shall establish policies or procedures that require documentation of the engagement quality review in accordance with paragraph 30, and that such documentation be included with the engagement documentation.